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SENSITIVE
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DOE FOR GARY WARD CAROLYN GAY RHIA DAVIS AMY CHIANG

E.O. 12958: N/A

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SUBJECT: BRAZIL: THIRD MEETING OF USG GOB BIOFUELS STEERING
COMMITTEE, OCTOBER 3, 2008

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) SUMMARY. Under Secretary for Economic, Energy and Agricultural Affairs Reuben Jeffery III, Special Advisor Greg Manuel and PDAS Craig Kelly participated in the third USG-GOB Biofuels Steering Committee meeting on October 3. The Ministry of External Relations' (MRE) new Under Secretary for Energy and Science and Technology, Ambassador Andre Amado, and MRE's Director of the Energy Department, Andre do Lago, led the Brazilian delegation (full del list para 13). In a productive session noteworthy for the new Brazilian Under Secretary's energetic and enthusiastic engagement, the two sides preliminarily agreed on a second tranche of five countries for U.S.-Brazil biofuels cooperation: Guatemala, Guinea-Bissau, Senegal, Honduras and Jamaica. Joint biofuels research efforts are entering a new phase with the signing of a Memorandum of Understanding (MOU) between the Energy Department's National Renewable Energy Laboratory (NREL) and the Brazilian energy-company Petrobras' research center (CENPES) for work on the next generation of biofuels. Both these initiatives will be announced publicly for the first time at Brazil's November 17-21 Biofuels Conference in Sao Paulo. The Steering Group highlighted the positive significant progress being made in developing international standards for biofuels, and both sides agreed to try to persuade India, China and South Africa to engage more significantly. The two sides also noted progress in developing science-based sustainability criteria. END SUMMARY.

¶2. (SBU) MRE U/S Amado set the tone for a productive forward-looking discussion at the third meeting of the Biofuels Steering Group on October 3. Amado opened by declaring, "We can go at a bureaucratic pace, or we can be daring. Let's be daring." U/S Jeffery agreed.

THIRD COUNTRIES

¶3. (SBU) Do Lago reported that GOB is arranging a business group visit to the four first-tranche countries. Manuel noted cooperation under the March 2007 Biofuels MOU included 11 projects already disbursing funds and 10 others with funds obligated. IDB is now willing to commit USD 10 million in biofuels investment in these countries. Do Lago confirmed that Brazil supports a second tranche of countries consisting of Guatemala, Guinea-Bissau, Senegal, Honduras and Jamaica. The two sides agreed that the rollout would be similar to the first tranche, with a briefing on the same day in both Washington and Brasilia with the two Ambassadors and the ambassadors of the five countries. Both sides agreed that this announcement could be an important part of the November biofuels

conference, inviting the new countries as well as representatives from the first tranche.

JOINT BIOFUELS RESEARCH

14. (SBU) Amado enthusiastically pushed for more joint action, saying the two countries either could simply claim credit for progress made by scientists or could help the scientists to bring deals forward. Adriano Duarte from the Ministry of Science and Technology (MCT) reported that there were already two concrete projects coming out of the exchange of visits by biofuels scientists and he expected more. Manuel noted that there was now a report on areas of shared interest. Manuel highlighted the Memorandum of Understanding between the U.S. Energy Department's National Renewable Energy Laboratory (NREL) and the Brazilian energy-company Petrobras' research center (CENPES) for work on next generation of biofuels. Both sides agreed that the MOU should be announced at the upcoming biofuels conference in November to help call attention to these joint efforts.

15. (SBU) Amado suggested including biofuels research in the October 30-31 joint science and technology technical meeting. The Ambassador noted the proposal at the last meeting of the Biofuels Steering Group on August 20 to create a database of universities interested in biofuels. FAS rep reported USDA would be sending a group of leaders from the sugar ethanol industry on a policy trip to the United States in November in order to help build industry linkages.

INTERNATIONAL COOPERATION

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16. (SBU) Do Lago admitted having been surprised by the level of attacks by other countries, including possible expansion partners, against biofuels. At the recent International Biofuel Forum (IBF) and Global Biofuel Energy Partnership (GBEP) conferences in Rome on biofuels standards, China, India and South Africa chose not to participate and this reluctance is affecting our work on technical standards, do Lago declared. He said he hoped for improved participation at the IBF meeting on the margins of the November 17-21 biofuels conference in Sao Paulo. (NOTE: Recently, the International Affairs Advisor for the Energy Ministry, Amb. Rubem Barbosa, told EmbOffs that the GOB was surprised by the virulence of the opposition to biofuels coming from its South American neighbors, which he attributed in significant part to anti-Americanism. END NOTE.)

17. (SBU) Manuel replied that the situation was brighter than depicted by Do Lago. He said that China, India and South Africa are currently marginal actors and China and India use American Society for Testing and Materials (ASTM) International Standards, which is what the USG and GOB are helping to shape now. Manuel reported that soon reference materials will be distributed to over 200 laboratories in the United States, Brazil and Europe. This is a necessary precondition to making biofuels an international commodity. Manuel offered to encourage India and China to adopt the standards we have developed. Do Lago added Brazil could try to work through the IBSA process (India-Brazil-South Africa) to bring them on board.

SUSTAINABILITY

18. (SBU) Manuel commented that at the Rome conference in June, U.S. and Gob delegations successfully kept the focus on scientific issues, fending off efforts - especially by some Europeans - to inject political factors and to use sustainability as a trade barrier. He expected that there would be sustainability criteria ready for the Spring 2009 meeting of the G-8. Do Lago stressed that Brazil remains concerned about efforts to use sustainability criteria to erect new trade barriers but thought the USG and GOB had neutralized that risk for now. Ricardo Dornelles from the Energy Ministry added that the Europeans were seeking to protect their agriculture markets; they didn't see it as an issue of energy security. Manuel noted his concern that, despite the bilateral agreement to pursue the sustainability issue via GBEP, the Brazilian

technical norms institute ABNT had entered into its own sustainability discussions with Germany. The Brazilian side took note.

¶9. (SBU) Brazil's domestic sustainability efforts include the intention to create a zoning plan to prohibit planting of sugar cane in sensitive areas (e.g., the Amazon Forest and the Pantanal) and identify ideal cultivation zones that would be eligible for special financing through the national development bank (BNDES), according to AgMin's Alexandre Strapasson. Rodrigo Rodrigues from the President's Office (Casa Civil) said GOB is also developing rules to address the social and labor impact of the sugar cane sector, including ensuring fair treatment of workers impacted by increased harvesting mechanization. Casa Civil's Carlos Teixeira discussed possible development of a "green seal" for biofuels, which could assure purchasers that the biofuels were produced in a manner consistent with good environmental, labor and social standards.

PRIVATE SECTOR

¶10. (SBU) The Ambassador stressed the importance of continuing to involve the private sector in biofuels efforts and particularly urged according business a primary role in the November conference. Manuel asked if Amado was prepared to move forward with the proposal presented by Brazil's ethanol industry association, UNICA, at the August meeting. The proposal would fast track certain key certifications for U.S. firms seeking to bring operations to Brazil.

Amado responded that having just arrived on the job that week he required more time to study the proposal and then would respond. Amado also noted that, for now, he was not interested in bringing more academic and NGO involvement into the private sector advisory board. While consulting the private sector is an obligation, Amado recommended outreach rather than consultation with the NGO and academic community to encourage a more positive view of biofuels.

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INTERNATIONAL BIOFUELS CONFERENCE, NOVEMBER 17-21, SAO PAULO

¶11. (SBU) The Brazilians briefed the U.S. delegation on the International Biofuels Conference they will be hosting in Sao Paulo, November 17-21. They proposed having another meeting of the Biofuels Steering Committee during that week, with top USG and GOB officials as observers. Do Lago said that the GOB wanted the private sector, as well as the NGO and academic community, and legislatures from around the world present and participating through side events. Do Lago noted that APEX would host a trade fair on biofuels during the conference. Do Lago also indicated that currently 24 countries had confirmed Minister-level participation and GOB expected Head of State participation from at a minimum Philippines and Australia. One hundred countries are expected to participate overall. President Lula will speak and President Bush has been invited to speak.

COMMENT

¶12. (SBU) The new point person for the GOB on biofuels, U/S Andre Amado, showed that he and his team have the political will to step up the pace on biofuels cooperation. The Steering Group identified progress in all three pillars. The agreement on the second tranche of countries for U.S.-Brazil cooperative work, the signing of the NREL-CENPES MOU, and the soon to be distributed reference materials are all concrete actions we can highlight as MOU-related achievements. Amado also demonstrated his willingness to be "bold and daring." After a year of resistance to the idea of reaching out to involve other larger countries in our efforts, Amado was quick to recommend that we should begin reaching out jointly to countries like India, South Africa, and China. MRE sources tell us Amado is widely known for his vigor and exacting standards. The November biofuels conference will provide additional impetus for cooperation.

The conference offers not only an opportunity to highlight MOU achievements and the bilateral relationship, but also to help chart the course for international development of the biofuels industry.

END COMMENT

¶13. (U) DELEGATION LISTS:

Brazil

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Brazilian Ministry of External Relations' (MRE) Under Secretary for
Energy and Science and Technology, Ambassador Andre Amado

MRE's Director of the Energy Department, Andre do Lago

Claudia Viera Santos, MRE

Joao Tabajara, MRE (US Desk)

Roberto Sadao Shiraishi, Ministry of Commerce

Eduardo Caldas, Brazil's Trade Promotion agency, APEX

Alexandre Strapasson, Ministry of Agriculture

Adriano Duarte Filho, Ministry of Science and Technology

Ricardo Dornelles, Ministry of Mines and Energy

Carlos Teixeira, Presidential Office (Casa Civil)

Rodrigo Rodriguez, Casa Civil

Carlos Abreu, Deputy Chief of Mission, Brazilian Embassy in
Washington

UNITED STATES

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Under Secretary for Economic, Energy and Agricultural Affairs Reuben
Jeffery III

WHA Principal Deputy Assistant Secretary Craig Kelly

Special Advisor Greg Manuel

Ambassador Clifford Sobel

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Lisa Kubiske, Deputy Chief of Mission

Thomas Hastings, Advisor to U/S Jeffery

Morgan Perkins, Foreign Agriculture Service

Rhiannon Davis, U.S. Department of Energy

Richard Driscoll, Science Counselor

Katherine Dueholm, Economic Deputy

SOBEL